

## Foreign Currency Analysis

Figure 11 illustrates the currency weighting of dividend distributions. Assuming an 80:20 USD:BRL composition of charter revenues, approximately 47% of dividend distributions up to 2030 originate from BRL revenues.

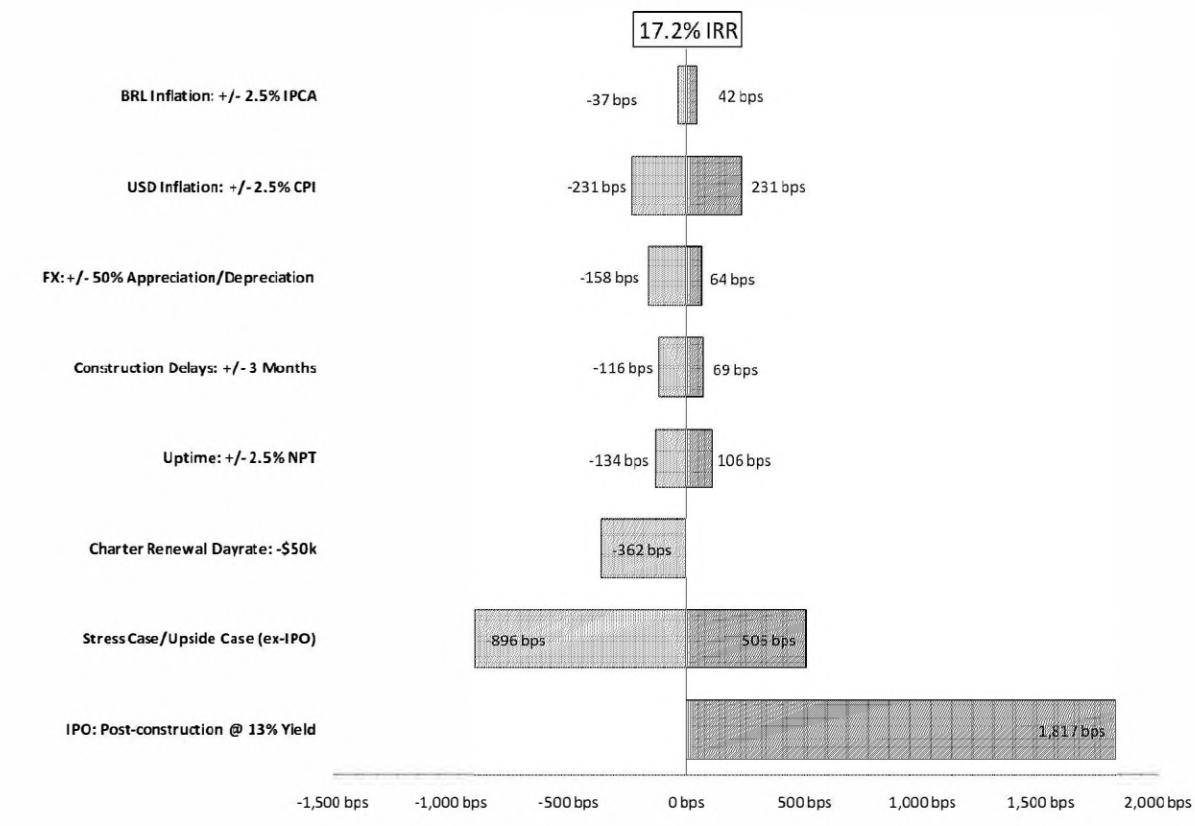
**Figure 11: BRL/USD Currency Waterfall Analysis**

Estimated Currency Waterfall: 01/20 USD Election	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
<small>thousands USD and BRL</small>																
USD Available for SPE Expenses	\$ -	\$ -	\$ -	\$ -	\$ 18,109	\$ 201,218	\$ 452,454	\$ 798,983	\$ 1,148,123	\$ 1,374,627	\$ 1,408,718	\$ 1,466,225	\$ 1,505,329	\$ 1,527,656	\$ 1,882,158	
Less: USD Debt Service at SPE	-	-	-	-	(18,109)	(138,413)	(369,792)	(677,293)	(958,520)	(1,305,569)	(1,322,470)	(1,312,155)	(1,302,303)	(1,298,316)	(1,466,264)	
Less: USD SPE Reserve Accounts	-	-	-	-	-	(42,160)	(55,680)	(91,232)	(89,408)	(9,046)	16,267	16,542	14,952	15,260	16,778	
(Increase) Decrease in Cash	-	-	-	-	-	(12,289)	3,437	(484)	(51,366)	80,702	-	-	-	-	(81,963)	
USD Available to SPE Shareholders	-	-	-	-	-	(0)	8,356	20,419	29,974	48,829	120,714	102,515	170,612	217,978	244,600	
Less: USD Dividend to Class B	-	-	-	-	-	0	(1,253)	(3,063)	(4,496)	(7,324)	(18,107)	(15,377)	(25,592)	(32,697)	(36,690)	
USD Available for Sete Reserve Accounts	-	-	-	-	-	(0)	7,102	17,356	25,478	41,504	102,607	87,137	145,020	185,282	207,910	
Less: USD Change in Sete Resene Accounts	-	-	-	-	-	(27,800)	(56,600)	(56,600)	(27,800)	(27,800)	-	-	(3,714)	(10,214)	(8,714)	
USD Available to Distribute (Shortfall)	\$ -	\$ -	\$ -	\$ -	\$ (0)	\$ (20,698)	\$ (38,244)	\$ (30,122)	\$ 13,704	\$ 74,807	\$ 87,137	\$ 145,020	\$ 181,567	\$ 197,696	\$ 289,388	
USD Currency DSCR	NM	NM	NM	NM	NM	1.0x	1.5x	1.2x	1.2x	1.2x	1.1x	1.1x	1.2x	1.2x	1.3x	
BRL Available to SPE Shareholders (R\$)	R\$ -	R\$ 54,297	R\$ 186,622	R\$ 381,241	R\$ 590,739	R\$ 790,874	R\$ 839,753	R\$ 885,827	R\$ 921,725	R\$ 948,020	R\$ 1,183,775					
Less: BRL Dividend to Class B	-	-	-	-	-	(8,144)	(27,993)	(57,186)	(88,611)	(118,631)	(125,963)	(132,874)	(138,259)	(142,203)	(177,568)	
BRL Available for FIP Expenses	-	-	-	-	-	-	46,152	158,629	324,055	502,129	672,243	713,790	752,953	783,468	805,817	1,006,209
BRL FIP Expenses	(74,520)	(42,063)	(40,276)	(50,440)	(52,274)	(48,817)	(43,741)	(42,707)	(42,704)	(43,749)	(45,433)	(47,574)	(49,549)	(51,362)	(54,632)	
BRL Capital Call at FIP	(288,641)	(460,387)	(669,450)	(644,454)	(606,221)	(194,987)	(334,821)	(194,962)	(83,807)	-	-	-	-	-	-	
<b>BRL Available to Shareholder (Called)</b>	<b>R\$ (363,161)</b>	<b>R\$ (502,451)</b>	<b>R\$ (718,726)</b>	<b>R\$ (694,003)</b>	<b>R\$ (658,496)</b>	<b>R\$ (407,651)</b>	<b>R\$ (210,034)</b>	<b>R\$ 86,387</b>	<b>R\$ 375,528</b>	<b>R\$ 628,494</b>	<b>R\$ 668,357</b>	<b>R\$ 705,378</b>	<b>R\$ 733,017</b>	<b>R\$ 754,456</b>	<b>R\$ 951,577</b>	
BRL/USD FX Assumption	1.60	1.80	2.00	2.05	2.10	2.15	2.20	2.25	2.30	2.35	2.38	2.42	2.45	2.48	2.52	
USD Equivalent BRL Flows	(226,976)	(279,139)	(359,363)	(338,977)	(313,569)	(231,803)	(100,175)	38,463	163,392	267,138	280,299	201,886	299,652	303,935	378,242	
Total USD Equivalent Cash Flows to Shareholders	\$ (226,976)	\$ (279,139)	\$ (359,363)	\$ (338,977)	\$ (313,569)	\$ (252,500)	\$ (138,419)	\$ 8,342	\$ 177,097	\$ 341,945	\$ 367,437	\$ 436,906	\$ 481,219	\$ 501,631	\$ 667,631	
USD Dividend Estimated Currency Mix	NM	NM	8%	22%	24%	33%	38%	39%	43%							
BRL Dividend Estimated Currency Mix	NM	NM	92%	78%	76%	67%	62%	61%	57%							
<b>Weighted Average USD Distributions</b>	<b>W.A.</b>															
2025	33.3%															
2030	52.5%															
2035	61.2%															
2040	82.5%															

## Sensitivities

Figure 12 outlines the sensitivity of our Base Case IRR to various downside and upside scenarios related to (i) inflation, (ii) FX risk, (iii) construction delays, (iv) drillship uptime, (v) charter dayrates after expiration of initial contracted term and (vi) upside from a potential IPO exit. The Stress and Upside Cases respectively combine all downside and upside sensitivities (excluding the IPO).

**Figure 12: IRR Sensitivity Analysis**



## **AML/OFAC**

An AML/OFAC review was conducted using the *Complinet* system (an online global screening application) on controlling entities and individuals including key management personnel. No material issues were identified and the transaction has been categorized low risk from a compliance perspective.

## **Conclusion & Recommendation**

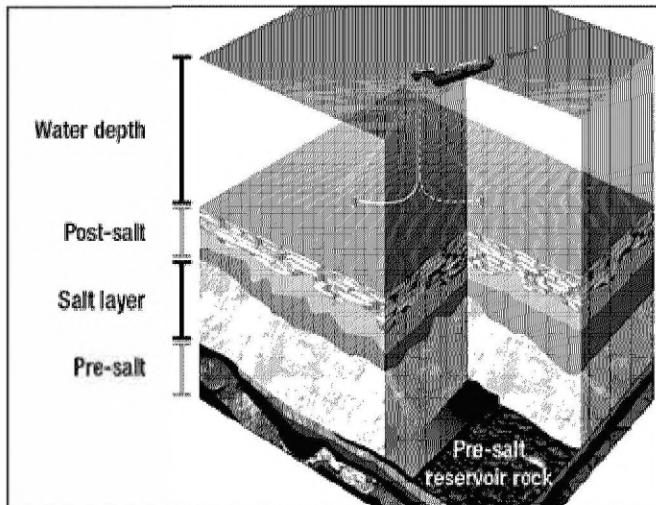
We believe an investment in Sete through FIP Sondas represents a unique opportunity for EIG to be an early investor in what should become a major player in the ultra-deepwater drillship industry. Sete represents a major strategic undertaking by the Brazilian Government and Petrobrás. EIG will become the first foreign investor in this company, and will be partnering with the largest and most prestigious oil and oil services companies, commercial and investment banks, and Brazilian pension funds. While Petrobrás's involvement in the transaction at all levels has positive and negative aspects, we believe the stakes are too high for Petrobrás to allow this venture to fail. Many of the potential risks to equity have been addressed and mitigated in the contractual structure. We can expect a mid to high teen return on a buy-and-hold basis and significantly higher returns in the more likely scenario that Fund XV exits the investment through a sale or IPO. For these reasons we recommend approval.

## Appendix 1: Brazil's Pre-salt Reserves

Brazil's pre-salt play is likely the most significant discovery of new oil reserves in the last 30 years. Petrobrás's early estimate for Campos Basin pre-salt reserves within existing discoveries is 10.6 to 16 billion barrels. For perspective, the Wall Street Journal recently ran an article touting Exxon's success in the Gulf of Mexico highlighting two discoveries totaling 800 million barrels. The discoveries have come after overcoming many technical challenges including seismic advances to image below salt layers, deep water drilling in 8,000 feet of water, drilling through as much as 10,000 feet of salt and many others.

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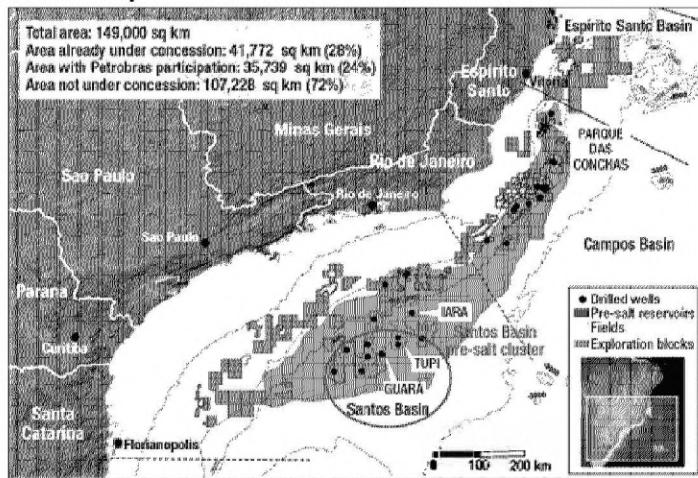
### Pre-salt Geology




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The term pre-salt refers to the fact that the reservoir rock bearing oil was deposited in geologic time before or beneath the salt layer as opposed to post-salt which was deposited after or on top of the salt layer. Seismic imaging below the thick salt layer is a huge challenge requiring advances in seismic acquisition, processing and interpretation. The lure of potential discoveries below the salt layer has kept exploration teams pushing the frontiers most notably in Brazil and the Gulf of Mexico.

### Santos Basin Pre-salt Map



As shown above in blue, pre-salt reservoirs stretch across both the Santos and Campos Basins. The pre-salt drilling effort began in 2005. The first well drilled that crossed the salt layer was nearly aborted because of numerous drilling problems but after 15 months and \$240 million, Petrobrás discovered the Parati Field 7600 meters below the ocean's surface. The second well, drilled in 2006, cost \$100 million and discovered Tupi. These first two wells discovered between 5-8 billion BOE according to Petrobrás. After Parati and Tupi and until 2009, Petrobrás drilled 41 exploratory wells targeting pre-salt reservoirs within the Santos and Campos Basins with a success rate of 85% far exceeding the industry benchmark of 30% (Source: World Oil, Petrobrás).

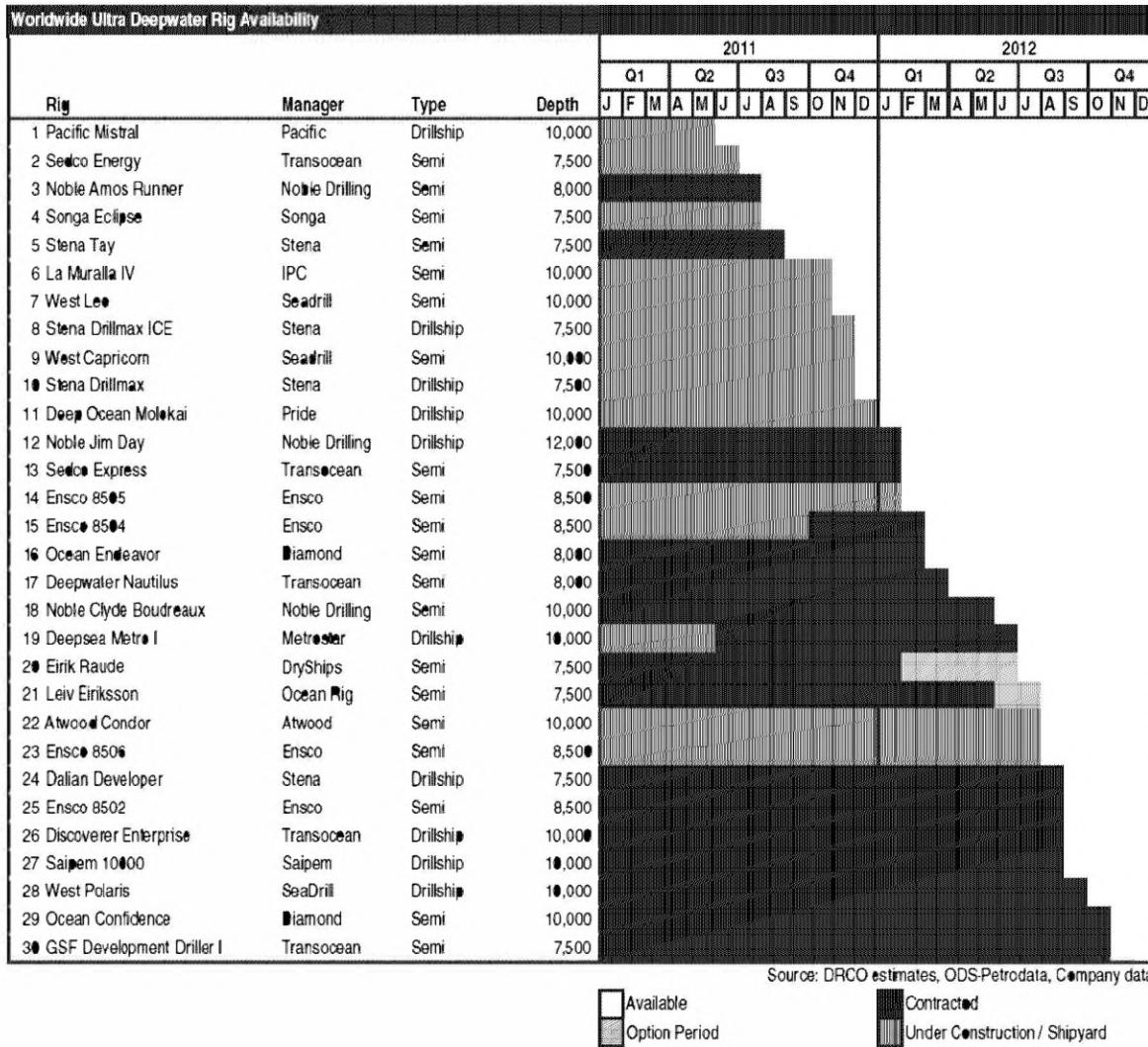
In the Santos Basin the pre-salt success rate is 100%. The Santos Basin discoveries all occurred within just four years (2006-2009) and are being fast tracked by Petrobrás for development. The existing collection of blocks and discoveries known as the Pre-Salt Cluster are being aggressively developed in phases consisting of information gathering and development at shown schematically below:

### Petrobras Pre-salt Project Phases

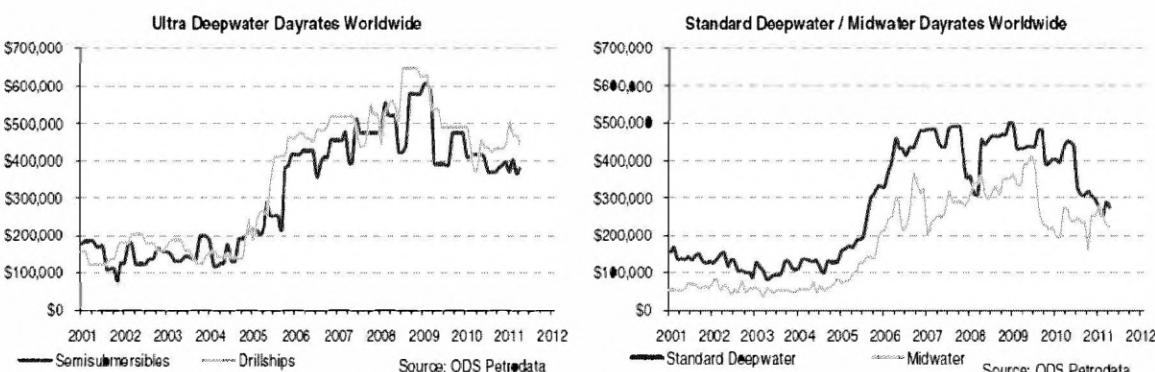
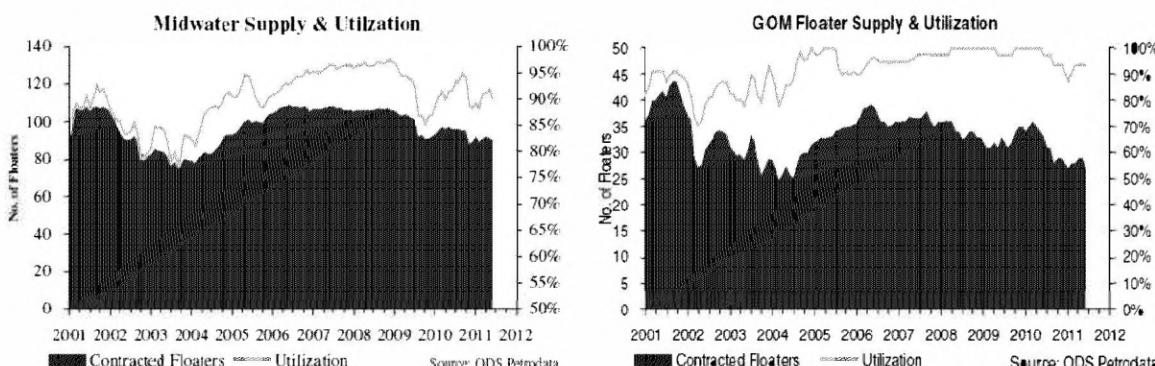
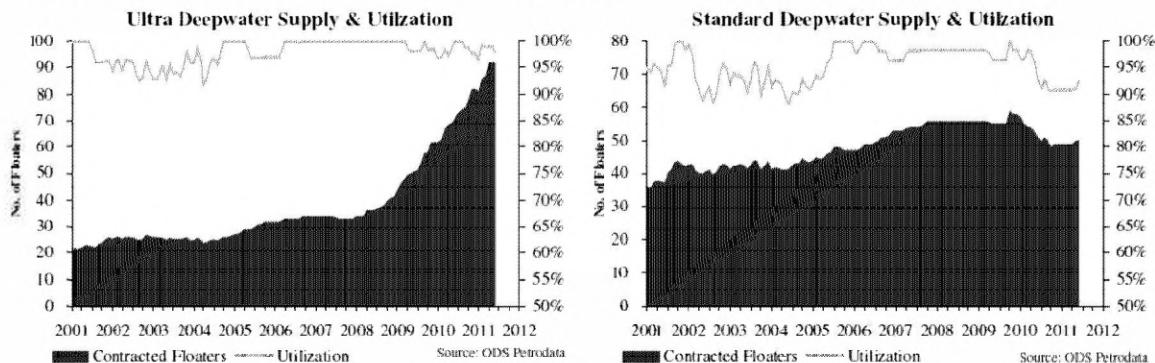
Phase 0	Phase 1A	Phase 1B
<p>Information acquisition</p> <ul style="list-style-type: none"> <li>• Until 2016</li> <li>• Extended well tests (EWTs)</li> <li>• Exploratory wells</li> <li>• Tupi pilot</li> </ul>	<p>1st phase of definitive development</p> <ul style="list-style-type: none"> <li>• 2013–2016</li> <li>• Large scale production (up to 1 million bpd in 2017)</li> <li>• 2 anticipated plots (Guara + Tupi NE), infrastructure and 8 "replicant" FPSOs</li> </ul>	<p>2nd phase of definitive development</p> <ul style="list-style-type: none"> <li>• 2017–2030</li> <li>• Significant production increase</li> <li>• "X" new production units</li> </ul>

## **Appendix 2: Ultra Deepwater Drillship Market**

## **Ultra Deepwater Scheduled Rig Deliveries**



### Floater Rig Supply, Utilization and Dayrate Comparison



### Appendix 3: Petrobrás

Petróleo Brasileiro, S.A. (“Petrobrás”) was founded as the Brazilian Government oil and gas monopoly in October, 1953. At the time, Petrobrás produced 2,700 barrels of oil per day, and had a refining capacity of 137,000 barrels/day. Beginning in 1974, Petrobrás began to make significant discoveries in the Campos basin, a trend that has not slowed down, and which enabled Brazil to go from an energy dependent nation to a net exporter of oil and its derivatives.

The National Treasury owns 53.6% of Petrobrás’ common shares, and 31.1% of total shares, while other government controlled entities, or public pension funds, control another 10% of voting shares, and 28% of preferred shares. Blackrock, with 5% of preferred shares, is the largest single foreign owner of Petrobrás.

Petrobrás is the largest corporation in Latin America and the fourth largest oil & gas company in the world. It is a leading producer of deep and ultra deep water oil, with 20% of the market, a trend that will only continue with the discovery of the pre-salt reserves.

The activities of Petrobrás comprise the research, exploration, production, refining, logistics, sales and transpiration of petroleum and natural gas in Brazil, with significant investments in electricity generation, biofuels, and other renewable forms of energy. Its major lines of business include:

- E&P – its main activity, geared to supplying its own refineries, where it maintains 98.5% of the country’s capacity;
- Supply – includes the transport and sale of oil and its derivatives, and ethanol, as well as participations in various petrochemical companies;
- Gas & Energy – includes the sale and transpiration of natural gas produced in Brazil or imported and the generation and sale of electric energy;
- Distribution – represents retail gas stations, with 38.7% market share (as of June, 2010);
- International – Petrobrás is present in E&P, refining, transportation, and distribution in countries around the globe, including the U.S. Gulf of Mexico.

Below please find summary financial highlights for Petrobrás for the three years ending Dec. 31, 2010:

(Million USD)	2008	2009	2010
Net Income	18,879	15,504	19,184
EBITDA	31,083	28,982	32,626
Net Debt	20,624	40,963	36,701
Shareholders' Equity	61,909	94,058	181,494
Net Debt / Net Capitalization	25%	30%	17%
Net Debt/ EBITDA	0.66	1.41	1.12

#### Appendix 4: Shareholder Approval Threshold Matrix

94%*	approval of new investments (and related capital increases) in activities falling outside the company's corporate purpose
85%*	capital increases related to investments in activities foreseen the company's corporate purpose (that not New Systems), whenever there is no Entrance Premium
	capital increases related to investments in New Systems, whenever Entrance Premium is negative
	amendments to the company's by-laws
	amendments to the Strategic Guidelines Plan
	capital reduction
	merger, incorporation, spin-off or any other corporate reorganization involving the company or its affiliates
	appointment of members to the board of directors and the board of auditing and removal of those members
	authorize company to initiate any bankruptcy/reorganization proceedings (or file a petition claiming so)
	incorporation and liquidation of subsidiaries, entering into joint venture or partnership agreements not provided for in the Strategic Guidelines Plan, decide upon acquisition, sale or encumbrance of any securities held by the company
	entering into and termination of any business transactions with related parties, as well as modification of its terms and conditions
	entering into and termination of any business transactions in amount superior to 2% of the global amount of investments, costs and expenses, as the case may be, provided for in the company's Annual Budget

	acceptance or rejection of any offer for acquisition of class A shares of any company in which Sete Brasil holds direct or indirect participation, unless otherwise provided for in relevant shareholders agreements
85%*	modification of conditions of the EPC, Charter, Services and Maintenance and Operation Agreements that may negatively impact the acceptance of drillships by Petrobrás
	sale of class B shares held by the company in the SPEs to an entity not provided for in the Strategic Guidelines Plan
	admission of new shareholders into the company via subscription of new shares
	entering into shareholders agreements of the SPE's
	new investments in activities foreseen in the company's corporate purpose and regulated by the Strategic Guidelines Plan
65%*	IPOs and public offers
	entering into EPC, Charter, O&M and other agreements related to the operation of the drillships in conditions divergent to those provided for in the Strategic Guidelines Plan, without prejudice to the matters placed in the 85% quorum
	capital increases for financing New Systems, in case there is not entrance premium
	annual budget
	financial statements presented by the board of directors
	destination of net profits and distribution of dividends
Majority of	approve, modify the terms and conditions of and terminate transactions not provided for in the company's business plan and/or in amounts in excess of (i) 2% (two percent) of the global amount of investments, costs and expenses as the case may be, of the annual budget, or (ii) 5% of an specific item of annual budget

shareholders attending the relevant meeting	granting of stock options to the company's senior executives and directors, up to the limit of 5% of the company's capital stock and annual global amount for compensation of directors and officers
	voting instructions related to exercise of right-of-first-refusal and transfer of shares of Sete Brasil or any other controlled companies, unless otherwise provided for in the relevant shareholders agreements
15%* + 1 share	new investments and capital increases that qualify for Fast-Track Procedure approval

## **Appendix 5: Estaleiro Atlantico Sul – EAS**

The Atlantico Sul Shipyard was established in November, 2005 in the Suape industrial park, just south of the Northeastern city of Recife, Pernambuco, Brasil. It is a joint venture among two of the most important Brazilian construction and engineering groups, Camargo Corrêa and Queiroz Galvão (each holding 40%) and Samsung Heavy Industries of South Korea (10%), one of the leading shipyards in the world. Samsung, with 10,000 employees, has a processing capacity of 600,000 thousand tons of steel per year, which allows it to produce an average of 52 ships annually. A private equity group called PJMR Empreendimentos holds the remaining 10% equity interest.

EAS has a capacity of 160,000 tons of steel processing per year, and is currently working on an order from Petrobrás for 11 Suezmax oil tankers. It has been granted the first tender for seven ultra-deep water drillships, and the EPC contracts for the first system were signed with Sete Brasil on June 15, 2011.

### ***Samsung Heavy Industries (“SHI”)***

SHI is a publicly traded company on the Korean Stock Exchange with sales on the order of \$13 billion p.a. and EBIT of \$1.1 billion. Its shipbuilding and offshore division dates from 1974, and during that time SHI has received orders for 931 ships, 723 of which are with customers. It bills itself as the largest builder of drillships and FPSO's, having built 38 of the former, and 17 of the latter. Its customers include Sakhalin, several Norwegian drillers, and indirectly Petrobrás, through its charter contract operators. Samsung will have an important ownership in the EAS venture being established to build the ultra deepwater drillships, and will transfer technology through technical cooperation agreements. They have personnel on the ground in Suape guiding the development of the drillship construction capabilities. SHI owns a 10% stake in the EAS joint venture.

### ***Camargo Corrêa S.A.***

Camargo Corrêa was founded in 1939 in São Paulo as an engineering and construction group. Today it is widely diversified into many related fields, such as cement, toll road concessions, energy, oil & gas services, steel and even shoes through its ownership of Alpargatas, Brazil's best-known brand of sandals. It has 61,700 employees, 50% of whom are still involved in construction and engineering. It is also involved in shipbuilding through its 40% ownership in EAS. Naval construction is still a small part of its business, utilizing 4.5% of capex and representing 4% of profits in 2010. Consolidated sales in 2010 totaled \$10.1 billion, and net income came to \$780 million. Camargo Correa owns a 40% stake in the EAS joint venture.

***Queiroz Galvão S.A.***

Queiroz Galvão was founded in 1953 in Pernambuco as a road builder and water treatments facilities, later moving its headquarters to Rio de Janeiro. In the 1980's it expanded into the oil & gas sector, and began operating overseas, with the construction of a dam in Uruguay. In 2008 it got into the shipbuilding business with its investment in EAS. Today the group has 30,000 employees and operates throughout Brazil, Africa and Latin America. 2009 sales totaled \$4.5 billion, with an EBITDA of \$540 million, 75% still coming from the construction sector, and 9% from oil & gas services. Queiroz Galvao owns a 40% stake in the EAS joint venture.

***PJMR Empreendimentos Ltda. ("PJMR")***

PJMR is a private equity investor founded in 1996 by Paulo Haddad, focused on the shipbuilding industry. In addition to its 10% investment in EAS, it also owns minority shares in other shipbuilding companies, both in Brazil and overseas.

## Appendix 6: Potential System 2 EPC Contractors

### *Estaleiro Atlântico Sul (EAS)*

- System 1 EPC Contractor described in Appendix 5

### *Jurong Aracruz Shipyard*

- Sponsors: Sembcorp Marine (Singapore)
- Location: Aracruz, Espírito Santo
- Technical Partner: Jurong (Singapore)
- Commentary: greenfield shipyard, already has preliminary and installation licenses
- Website: <http://www.semcorpmarine.com.sg/index.php?page=Estaleiro>

### *Brasfels*

- Sponsors: Keppel Fels (Singapore)
- Location: Angra dos Reis, Rio de Janeiro
- Technical Partner: Keppel Fels (Singapore)
- Commentary: recently delivered the P-56 platform for Petrobrás and is currently building TLWP P-61 platform
- Website: [http://www.kfelsbrasil.com.br/mkt/release/r\\_2.htm](http://www.kfelsbrasil.com.br/mkt/release/r_2.htm)

### *Estaleiro Paraguaçu:*

- Sponsors: Odebrecht, OAS and UTC
- Location: São Roque do Paraguaçu, Bahia
- Technical Partner: Aker Stord (Norway)
- Commentary: greenfield shipyard, already has preliminary and installation licenses, estimated R\$2bn investment
- Website: N.A.

### *Rio Grande Shipyard*

- Sponsors: Engevix and Funcer
- Location: Rio Grande, Rio Grande do Sul
- Technical Partner: Cosco (China)
- Commentary: won the bid from Petrobrás to build 8 FPSO hulls, has 1 dry-dock
- Website: <http://www.semcorpmarine.com.sg/index.php?page=Estaleiro>

## OSX

- Sponsors: EBX (Eike Batista)
- Location: São João da Barra, Rio de Janeiro
- Technical Partner: Hyundai Heavy Industries (Korea)
- Commentary: publicly listed company, has plans to build 48 units for OGX in the next 10 years,
- Website: <http://www.osx.com.br/cgi/cgilua.exe/sys/start.htm>